LAW OFFICES OF THOMAS K. CROWE, P.C.
2300 M STREET, N.W.
SUITE 800
WASHINGTON, D.C. 20037
(202) 973-2890
FAX (202) 973-2891
FAX (202) 293-3083

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Federal Communications Commission
Office of Secretary

January 29, 1997

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BY MESSENGER

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Dkt. Nos. 96-262, 94-1, 91-213, and 96-263;
Comments of Excel Telecommunications, Inc.

Dear Mr. Caton:

Per the filing requirements specified in the Commission's December 24, 1996, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry in the above referenced proceeding, enclosed for filing please find an original and sixteen copies of the Comments of Excel Telecommunications, Inc. ("Excel"). In addition, an electronic copy of Excel's comments is contained in the attached 3.5 inch computer diskette, which has been saved in "read only" mode.

Please direct any questions to the undersigned.

Respectfully submitted,

Thomas K. Crowe,
Counsel for Excel Telecommunications, Inc.

Enclosures

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Federal Communications Commission
Office of Secretary

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure	)	CC Docket No. 91-213
	)	
Usage of the Public Switched Network by Information Service and Internet Access Providers	)	CC Docket No. 96-263

COMMENTS OF EXCEL TELECOMMUNICATIONS, INC.

Thomas K. Crowe
Michael B. Adams, Jr.
LAW OFFICES OF THOMAS K. CROWE, P.C.
2300 M Street, N.W.
Suite 800
Washington, D.C. 20037
(202) 973-2890

COUNSEL FOR EXCEL
TELECOMMUNICATIONS, INC.

January 29, 1997

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SUMMARY OF COMMENTS

As a reseller serving predominantly residential customers and the fifth largest long distance carrier in the U.S. today, Excel supports the general objectives of access charge reform. As the Commission itself has tentatively concluded in the instant proceeding, the current system under which access charges are recovered from interexchange carriers ("IXCs") promotes distorted, artificially high, and inefficient prices for connecting with local telecommunications loops. Excel believes that the current regulations are inconsistent with the goals of open competition, explicit subsidy mechanisms, and the removal of entry barriers required by the Telecommunications Act of 1996 ("1996 Act"). Excel therefore encourages the Commission to replace its current access charge regulations with a new system which accurately reflects underlying costs.

The present access charge regulations allow incumbent local exchange carriers ("LECs") to recover fees which far exceed their service costs. A large portion of such excess recovery is presently passed on to consumers in the form of higher prices for long distance, interexchange calls, which harms the affordability of such services. Excel agrees with the Commission that if such excess recovery continues, it will allow the Bell Operating Companies ("BOCs") an unfair competitive advantage over other IXCs once the BOCs start providing long distance services. Such an unfair advantage could take the form of a "price squeeze," in which a BOC could provide in-region access for their long distance affiliates at incremental rates while charging competing IXCs higher rates, thereby significantly raising its competitor's costs. Excel therefore believes that access charge reform must be completed before the BOCs are authorized to enter in-region, interLATA

markets.

Excel believes that access charges should swiftly be reformed so that they reflect the forward-looking costs of providing service. Such a reform will simultaneously rebalance rates, eliminate the current system's network of support mechanisms and subsidies, and minimize regulation. Excel supports the Commission's tentative conclusion to use the Total Service Long Run Incremental Cost ("TSLRIC") pricing method as the basis for such reform. Excel also believes that to the extent the Commission uses the TSLRIC methodology to price interconnection and unbundled network elements, it should also use TSLRIC to price access charges in the interest of symmetrical regulation.

Excel supports the Commission's tentative conclusion to exclude unbundled network elements from the Part 69 access charge regime, regardless of whether the elements are used to provide local exchange services or exchange access services. Excel believes that purchasers which buy such elements at cost-based rates under Section 252(d)(1)(A) of the 1996 Act have already fully compensated incumbent LECs for the ability to originate and terminate interstate calls.

Excel generally supports a prescriptive approach to reforming interstate access charges. While Excel agrees that access charges should eventually reflect the operation of the competitive market, Excel believes that such competition may take years to develop. Even then, such competition may be uneven between geographic regions, and may be insufficient to pressure access charges towards cost. In contrast, Excel agrees with the Commission that a prescriptive approach is certain to produce results, and will do so in a more predictable and uniform manner. Excel also believes that due to the long term administrative burdens of supervising the market-based approach, a prescriptive approach would be more efficient and less difficult.

Excel agrees that the Commission must modify its current Part 69 rate structure rules. In particular, Excel agrees that the current Common Carrier Line ("CCL") charge does not reflect the manner in which loop costs are incurred and must be replaced. Excel supports the recovery of loop costs on a non-traffic sensitive basis, such as through a flat-rate per-line charge. Excel does not believe that Section 254(g) of the 1996 Act imposes any limitations on the Commission's authority to assess such a flat-rated CCL charge on IXCs.

Excel supports requiring incumbent LECs to develop separate rates for peak and off-peak use of the traffic-sensitive portion of local switching. As the Commission has previously found, such pricing allows the efficient recovery of the costs of shared facilities whose cost varies with capacity. While such pricing would require changes in the carrier access billing systems currently used by incumbent LECs, such a change is justified in light of its public benefit. In a related issue, Excel also favors the development of a separate rate element for call setup charges.

Excel generally supports the basic three-part framework the Commission has proposed for separating the charges for transport services. Excel believes that the separation of such costs will better reflect the manner in which such costs are incurred by carriers, allowing more efficient and accurate billing. For similar reasons, Excel supports the Commission's tentative conclusion to require flat-rated charges for entrance facilities and direct-trunked transport services. Excel also believes the Commission should adopt peak and off-peak pricing for tandem-switching services.

Excel agrees that since the current transport interconnection charge ("TIC") improperly increases per-minute access charges paid by IXCs, the Commission should eliminate it for being both inefficient and unsustainable. Excel believes the transition period during which the TIC is eliminated should take no more than three years. Excel agrees with the Commission's third proposed method for eliminating the TIC, under which the costs which are readily identifiable and quantifiable would be reassigned while the remainder of the TIC is phased out.

Lastly, Excel strongly opposes allowing any exceptions to the use of forward-looking costing. Excel believes that any such exceptions which allow incumbent LECs to recover the difference between present charges and cost-based rates will perpetuate inefficiencies and undermine the integrity of the Commission's reforms. Moreover, Excel supports reforming access charges during as brief an implementation period as possible.

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Usage of the Public Switched Network by Information Service and Internet Access Providers	)	CC Docket No. 96-263

COMMENTS OF EXCEL TELECOMMUNICATIONS, INC.

Excel Telecommunications, Inc. ("Excel"), by its attorneys, respectfully submits the following comments in response to the Commission's Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry ("Notice"),[1] released on December 24, 1996 in the above-captioned proceeding.

I. INTRODUCTION.

Excel is one of the fastest growing providers of interexchange long distance services in the

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[1] In re Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, Usage of the Public Switched Network by Information Service and Internet Access Providers, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry in CC Dkt. Nos. 96-262, 94-1, 91-213, and 96-263, FCC 96-488 (Dec. 24, 1996)("Notice"), as amended by the Order in CC Dkt. Nos. 96-262, 94-1, 91-213, and 96-263, DA 97-146 (Jan. 22, 1997)(extending submission date for initial comments to January 29, 1997).

U.S. Since commencing operations in 1989, Excel's high service quality, low prices, and superior customer services have enabled it to rapidly expand its customer base. Today, Excel is the fifth largest long distance carrier in the U.S.[2] As of June 15, 1996, Excel provided service to approximately 4.1 million residential and small business customers, of which ninety-eight percent (98%) are residential subscribers.

Excel offers a variety of long distance services and products in every U.S. state, including residential service, 800 service, international services and calling cards. Excel currently provides these services on a switchless resale basis, but intends to install switching centers in the future in order to provide both long distance and local services. In addition, as part of Excel's plans to expand the services which it offers to the public, Excel is presently in the process of applying to state regulators throughout the U.S. for authority to provide resold local exchange services.

II. EXCEL SUPPORTS EXPEDITIOUS ACCESS CHARGE REFORM.

Excel firmly supports the general objective of access charge reform. As the Commission itself has found, its current rules governing the manner in which local exchange companies ("LECs") recover access charges promote distorted, artificially high, and inefficient prices for connecting with local telecommunications loops.[3] It is also clear that current regulations are inconsistent with the

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[2] See Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, "Long Distance Market Shares: Third Quarter 1996" (Jan. 1997).

[3] See Notice at ¶¶ 7-9.

Telecommunications Act of 1996's[4] requirements of open competition between carriers, explicit subsidy mechanisms, and the removal of regulatory entry barriers.[5] Excel therefore believes that the Commission must move promptly to replace its current access charge regulations with a new system which will accurately reflect underlying costs.[6]

A. Current Access Charges are Excessive.

Excel believes that the rates for interstate access which are currently assessed by incumbent LECs are too high relative to the actual costs of providing access services. Indeed, both interexchange carriers ("IXCs") and incumbent LECs agree that access rates are inflated.[7]

As the Commission has noted, the current rules governing access charges allow the LECs to recover a wide range of universal service subsidies, "embedded" and historical costs, interstate loop cost allocations, and other forms of compensation which are frequently not related to the actual price of long distance interexchange access.[8] Although the Commission's chief economist has observed generally that "cost allocation is a dark mystery,"[9] a recent study by AT&T Corp.

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4 Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56, to be codified at 47 U.S.C. §§ 151 et seq. ("1996 Act").

5 See id. at ¶¶ 41-44.

6 As indicated infra at 14-15, Excel supports phasing in reformed access charges over as brief an implementation period as possible.

7 Id. at ¶ 45.

8 See id. at ¶ 7.

9 Robert Farrell, Creating Local Competition, 49 Fed. Com. L. J. 201, at 207 (Nov. 1996).

("AT&T") estimates that the LECs over-collect their direct service costs by several multitudes.[10] It is also clear that access charges also account for more than 25 percent of the incumbent LECs' total regulated revenues.[11] This statistic, viewed in context with AT&T's cost study, strongly suggests that the current regulations permit the subsidization of incumbent LECs far beyond their service costs.

Excel agrees with the Commission that the current system of interstate access charges is an impediment to competition.[12] To the extent that access services are not available to IXCs at their forward-looking economic cost, incumbent LECs and their long-distance affiliates will have an unfair competitive advantage in the long distance market.[13] Of even greater concern, if the Bell Operating Companies ("BOCs") are allowed to enter in-region interLATA markets and access charges remain inflated, the BOCs will have a potentially substantial cost advantage over rival IXCs.[14] This cost advantage arises since a BOC can obtain in-region access service for its long

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[10] See Letter of R. Gerard Salemme, Vice President, Government Affairs, AT&T, to Regina Keeney, Chief, Common Carrier Bureau, Nov. 22, 1996, at 1-3 ("November 22 AT&T Letter"). Such excess compensation apparently far exceeds both the LECs' actual economic costs of providing interstate access services and the LECs' universal service support needs. Id. at 2 (estimating the excess compensation to total $7 billion). AT&T achieves this estimate by using a proxy based upon Total Element Long Run Incremental Cost principles. See id. at Appendix A, Attachment 1.

[11] See Notice at ¶ 29.

[12] See id. at ¶¶ 8-9.

[13] See, e.g., Notice at ¶ 47; see also November 22 AT&T Letter at 3.

[14] In fact, one BOC has already filed an application to provide in-region, interLATA services upon which, pursuant to Section 272(d)(3) of the 1996 Act, the Commission must render a decision

distance affiliate at the incremental cost that the BOC incurs in providing access.[15] If the BOC can charge unaffiliated IXCs access prices that are significantly higher than forward-looking economic cost (as they currently do under the existing access charge rules), a BOC would potentially be able to create a price squeeze by raising rivals' costs. In view of the likelihood that BOCs will be authorized to enter in-region, interLATA markets in the near future, it is imperative that the Commission reduce access charges to their forward-looking economic cost prior to authorizing such entry.

Excel also believes that a large portion of interstate access charges are ultimately passed off to consumers in the form of higher prices for long distance, interexchange calls, damaging the affordability of such services.[16] Such high prices naturally depress consumers' use of interexchange services, which directly harms both the public interest and providers such as Excel.

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in ninety days. See Application by Ameritech Michigan Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-region InterLATA Services in Michigan, CC Dkt. No. 97-1, DA-97-5 (Jan. 2, 1997), as amended by Supplemental Filing in Connection With Application by Ameritech Michigan Pursuant to Section 271 of the Communications Act, CC Dkt. No. 97-1 (Jan. 17, 1997).

[15] The Commission's Notice recognizes this problem. See Notice at ¶ 47.

[16] See Competitive Telecommunications Association v. Federal Communications Commission, 87 F.3d 522, 524 (July 5, 1996)(noting that interstate access charges account for roughly 40% of the total cost of a long distance call). Higher prices for long distance rates due to inflated access charges is inconsistent with Section 254(b)(1) of the 1996 Act which provides that "[q]uality services should be available at just, reasonable, and affordable rates." 47 U.S.C. §254(b)(1).

B. Access Rates Should Be Promptly Moved to Forward-Looking Costs and Should Reflect TSLRIC.

Excel believes that moving interstate access charges swiftly to forward-looking costs is the best way to simultaneously rebalance rates, eliminate the current access charge system's support systems and subsidies and minimize regulation. Moreover, Excel supports the Commission's tentative conclusion to predicate access charge reform upon the use of the Total Service Long Run Incremental Cost ("TSLRIC") pricing method.

Forward-looking costing (and TSLRIC in particular) is a concrete and verifiable measure of pricing, and will serve to unwind the "dark mystery" of cross-subsidies, soon-to-be obsolete universal service funding mechanisms, and cost recovery allocations which presently envelop interstate access charges. Forward-looking costs are economically rational in that they charge carriers for only the network capacity which they use, therefore encouraging efficiency and discouraging bypass strategies. Excel believes that since the 1996 Act requires interconnection and unbundled network elements to be priced according to the TSLRIC methodology,[17] the Commission should employ the same TSLRIC methodology for interstate access charges in the interest of regulatory symmetry. Such symmetry in costing methodologies will reflect the general similarity between interconnection services and access services; prevent interstate access charges from

[17] See 47 U.S.C. § 252(d)(1)("just and reasonable" cost determinations regarding interconnection under Section 251 are to be cost-based, nondiscriminatory and include a reasonable profit).

subsidizing other services provided by local exchange carriers;[18] and prevent the inefficiencies which might result if local access charges are significantly less expensive than interstate charges.

C. Unbundled Network Elements Should Be Excluded from the Commission's Part 69 Rules.

Excel supports the Commission's tentative conclusion to exclude unbundled network elements from the Part 69 access charge regime, regardless of whether the carrier that purchases the unbundled network elements uses them to provide local exchange services or exchange access services.[19] Excel agrees with the Commission that under Section 252(d)(1)(A), carriers which purchase access to unbundled network elements at cost-based rates have already compensated incumbent LECs for the ability to originate and terminate interstate calls, and that no further compensation is justified.

III. A PRESCRIPTIVE APPROACH IS NEEDED TO REFORM ACCESS CHARGES EFFECTIVELY.

Excel strongly doubts that market forces will be sufficient to reform interstate access charges in the absence of regulatory action by the Commission. While Excel agrees that access charges should eventually reflect the operation of competitive market forces, Excel believes that the lack of competition within the market for local exchange services will persist for many years and is

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[18] See, e.g., 47 U.S.C. § 254(k)(prohibiting the subsidization of noncompetitive services with fees charged for non-competitive services). Excel wishes to minimize the chance that the subsidization flows which are built into the present system of interstate access charges are not redirected by incumbent LECs.

[19] See Notice at ¶ 54.

insufficient to drive access rates to forward-looking cost-based levels within many markets during the foreseeable future. As a result, Excel favors the adoption of a prescriptive approach.

A. A Prescriptive Approach Is Certain to Produce Results.

Excel agrees with the Commission's recognition in the Notice that "a prescriptive approach would move access rates to forward-looking economic costs in a more predictable and uniform manner than a market-based approach . . . ."[20] Unlike the gradualist, competition-driven process described in the Notice, a prescriptive approach to revising interstate access charges is certain to produce results. Despite any potential short-term administrative burden, Excel believes that the prescriptive regulations will quickly, effectively, and uniformly reform access charges. Simply put, given the serious competitive implications of a failure of the market-based approach,[21] a predictable shift of access pricing to forward-looking costs is imperative.

A prescriptive approach to access charge reform will, if properly administered, provide a uniform, national system of rates according to a pre-determined timetable. The competitive approach outlined in the Notice would be incapable of any such certainty. Since the state of local exchange competition throughout the country is embryonic, Excel strongly doubts that any such markets will become sufficiently competitive to exert downward pressure on the interstate access rates charged by incumbent LECs for several years, even in the most competitive urban markets. As the Commission has itself noted, the level and intensity of local exchange competition is likely

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[20] See Notice at ¶ 218.

[21] See supra at 4-5.

to vary between geographic areas within the same state.[22] Worse, since the present system of interstate access charges preserves the revenue flows of incumbent LECs and discourages competitive market entry,[23] a continuation of these charges will likely help perpetuate the existing monopolies of the incumbent LECs. It is therefore clear that the development of the "substantial competition" is a gamble, and will at best occur on a non-uniform basis over a long and uncertain period of several years. This is simply not good enough. Rather than depending upon such uncertainties, Excel prefers that the Commission reform interstate access charges with a single set of definitive rules.[24]

B. A Prescriptive Approach Would Not Necessarily Be More Difficult To Administer Than the Commission's "Market-Based" Proposal.

Excel questions the assumption that prescriptive reforms of interstate access charges would

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[22] See id. at ¶ 155 (concluding that due to likely intrastate variations in competitiveness, the Commission should not use statewide analyses of local exchange markets). Moreover, under the Commission's model, it appears that if no competition develops within a market, the interstate access charges assessed by the incumbent LEC may -- by default -- continue to be charged at unreformed levels. Absent some intervention by the Commission, it appears that non-competitive markets would therefore be allowed to perpetuate themselves, to the harm both of IXCs, potential competitors to incumbent LECs, and ultimately consumers.

[23] See supra at 2-5.

[24] Although Excel strongly opposes adoption of a market-based approach, in the event that the Commission does decide to adopt a market-based approach, Excel urges the Commission to 1) require actual competition to exist before implementing "Phase 1" of its proposed deregulation; 2) use objective and verifiable standards of competition during Phase 2 of its proposed market-based approach ("actual competitive presence" is too vague of a standard); 3) utilize objective criteria such as market share statistics in determining which LEC services should be removed from price caps; and 4) assess services on a service-by-service basis.

consume more of the Commission's resources than the market-based approach the Commission has proposed. While the Commission would, as it recognizes, "have to make detailed determinations of appropriate price levels for multiple services throughout the country,"[25] such determinations are no more difficult than those the Commission has made in similar rulemakings under the 1996 Act. Moreover, the multi-stage deregulatory determinations which the Commission would have to perform under its market-based proposal would present an administrative task which, while it would not address questions of cost, would require the Commission to perform detailed, market-by-market examinations of competitive conditions for different access services.[26] Given the interests at stake, such examinations would likely be difficult and contentious, and would require the Commission to devote considerable manpower and administrative resources to each case. Excel believes that in the long term, such determinations may be both more difficult and less effective than a single, well-conducted prescriptive rulemaking.

V. THE COMMISSION MUST MODIFY ITS PART 69 RATE STRUCTURE RULES.

Excel agrees with the Commission that its current Part 69 Rules regarding the CCL Charge, local switching charges, and transport charges do not reflect the actual costs of providing such

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[25] Id. at ¶ 143 (listing the Commission's perceived disadvantages of a prescriptive approach).

[26] See id. at ¶ 155 (concluding that since statewide determinations of competitiveness are not possible, the Commission will have to seek other measures of "relevant geographic areas" for such examinations).

services and must therefore be revised.[27] Excel believes that reforming such charges will encourage more efficient use of the public switched network and will serve as an important step towards the development of a forward-looking, cost-based rate methodology for access services.

A. The CCL Should Be Recovered On a Traffic-Sensitive Basis.

Excel agrees with the Commission that the current CCL charge does not reflect the manner in which loop costs are incurred and should be replaced.[28] Further, Excel concurs with the Federal-State Joint Board on Universal Service's determination that recovery of a portion of loop costs through per-minute charges is an inefficient cost-recovery mechanism.[29] Excel believes that loop costs should be recovered by LECs on a non-traffic-sensitive basis, such as by means of a flat-rate per-line charge.

Section 254(g) of the 1996 Act does not impose any limitations on the Commission's authority to assess flat-rated CCL charges on IXCs since the section pertains to rates charged to "subscribers" or the ultimate end user, not other carriers. This interpretation is supported by the fact that Section 251, in addressing interconnection, unbundled network elements and resale, expressly contemplates service to "telecommunications carriers", not subscribers.

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27 See id. at ¶¶ 55-56.

28 See id. at ¶¶ 55-56, 58-60.

29 Id. at ¶ 59.

B. The Commission Should Require Peak/Off-Peak Pricing of Traffic Sensitive Local Switching and Develop a Separate Rate Element for Call Set-Up.

Excel favors requiring incumbent LECs to develop separate rate elements for the traffic-sensitive portion of local switching provided during peak and off-peak periods. As the Commission has concluded in previous proceedings, the cost of shared facilities whose cost varies with capacity should, as a matter of efficiency, be recovered in a manner which accurately apportions costs among users.[30] Excel therefore believes that lower rates should apply for off-peak switching, and that a higher rate should be charged to recover the cost of the incremental network capacity required during periods of peak traffic.[31] While such peak and off-peak pricing may require changes in the carrier access billing systems currently used by incumbent LECs, such a change is justified by the public policy benefits of such a rate structure change.

Excel also favors the establishment of a separate rate element for call setup charges, which Excel believes will allow more accurate and efficient recovery of costs for this service.

C. The Charges for Transport Service Should be Separated.

Excel generally supports the basic three-part framework the Commission has proposed for

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[30] See Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers, CC Dkt. No. 95-185, Notice of Proposed Rulemaking, 11 FCC Rcd. 5020, 5027 (1996)("CRMS Notice").

[31] Accord, id. at 5027. As the Commission noted in the CRMS Notice, the local exchange access services needed for the termination of interstate long distance calls and commercial mobile radio services are similar, and there may be significant policy reasons why the rules for each service should be similar. Id. at 5028.

transport service, which consists of: 1) charges for entrance facilities; 2) charges for direct trunked transport service; and 3) charges for tandem switched transport service.[32] Excel believes that the separation of such costs will better reflect the manner in which carriers incur such costs, and will permit more efficient and accurate billing for such transport services. For this same reason, Excel also supports the Commission's tentative conclusion to establish transport rate structure rules which require flat-rated charges for entrance facilities and direct-trunked transport service.[33] Additionally, Excel urges the Commission to adopt peak and off-peak pricing for tandem switching services.[34]

D. The Current TIC Charge Should be Adjusted.

Excel concurs with the Commission's conclusion that the Transport Interconnection Charge ("TIC") improperly increases the per-minute access charges paid by IXCs and their consumers, thereby artificially suppressing demand for such services and encouraging bypass.[35] Excel therefore agrees that the TIC is unsustainable and should be eliminated. In particular, Excel favors elimination of the TIC over a transition of no more than three years.

In the interim, Excel agrees with the Commission's proposed third alternative under which readily identifiable and quantifiable costs are reassigned and the remainder of the TIC is phased out

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[32] Notice at ¶ 84.

[33] Id. at ¶ 86.

[34] See id. at ¶ 90.

[35] See id. at ¶ 97.

under a prescriptive approach in no more than three years.[36]

VI. TRANSITION ISSUES CONCERNING ACCESS CHARGE REFORM.

A. The Commission Should Not Allow Exceptions to Forward-looking Costing.

Given the importance of reforming access charges to economically efficient levels, Excel strongly opposes any exceptions to forward-looking costing. In particular, Excel believes that incumbent LECs should not be allowed to recover the difference between interstate-allocated revenues currently generated by the embedded-cost methodology and any new system of access charges based upon forward-looking costs.[37] Allowing incumbent LECs to continue to recover such residual or legacy costs would perpetuate the inefficiencies of the current access cost regime. Moreover, in a competitive market, no firm is guaranteed recovery of its embedded costs. In short, creating an exception to forward-looking costing in the form of a residual or legacy charge would undermine the integrity of access charge reform.

B. The Commission Should Phase In Reformed Access Charges Over As Brief An Implementation Period As Possible.

Due to the acknowledged negative, distorting effects which the current system of interstate access charges plays upon competition and the pricing of services, Excel believes that reformed

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[36] See id. at ¶117. Excel's support of the third alternative is premised upon a rapid phase-out of the TIC. If the phase-out of the TIC is to take more than three years, Excel would then support the second alternative which calls for quantifying and correcting all identifiable cost misallocations and other practices that improperly cause costs to be included in the TIC. Id. at ¶116.

[37] See id. at ¶¶ 247-248, 249-258.

access charges should be phased-in over as brief a transition period as possible. Any other approach will unnecessarily prolong the industry's transition to a more competitive marketplace, perpetuate inflated and inefficient access pricing, and thus will not be in the public interest.

VII. CONCLUSION.

For the reasons demonstrated above, Excel urges the Commission adopt reformed access charge rules consistent with the proposals and suggestions offered in these comments.

Respectfully submitted,

Thomas K. Crowe
Michael B. Adams, Jr.
LAW OFFICES OF THOMAS K. CROWE, P.C.
2300 M Street, N.W.
Suite 800
Washington, D.C. 20037
(202) 973-2890

COUNSEL FOR EXCEL
TELECOMMUNICATIONS, INC.

Dated: January 29, 1997